



Revisions to the State Mercury Rule

November 2005 Public Informational
Meetings

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OVERVIEW

- CAMR Basics
- CAMR Comparison to State Rule
- State Plan Requirements
- Rule Revision Schedule
- CAMR Legal Challenge
- EPA Reconsideration
- Recommendations to address rule revision options



Clean Air Mercury Rule Basics

- Sets mercury emission reduction requirements that include new and existing coal-fired power plants
- Mercury reductions in two-phases – 2010 and 2018
- State mercury budget established for each phase



Clean Air Mercury Rule Basics - continued

- New sources meet a standard of performance and their mercury emissions cannot increase the state budget
- Optional nationwide cap and trade program
- State Plan to EPA required by November 17, 2006



Clean Air Mercury Rule in Wisconsin

- State Budget
 - 2010 thru 2017 – 1,780 pounds
 - 2018 – 702 pounds
- Electrical Generating Units Affected
 - 48 coal-fired boilers operated by 8 different utilities



CAMR Comparison to State Rule

- Includes new sources
- Allows national banking and trading as an option
- Covers more coal-fired boilers
- No early reduction credits
- No electric reliability waiver
- No periodic review
- No variance provision
- Emission-based as compared to fuel-based



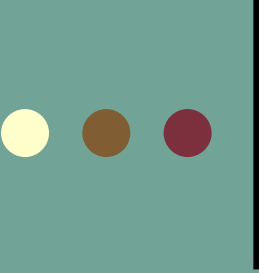
True-up Commitment

- ... the department shall adopt a similar standard that may not be more restrictive in terms of emission limitations.
- ... including administrative requirements that are consistent with the federal administrative requirements (e.g. monitoring, recordkeeping and reporting).



State Plan Requirements for the CAMR

- State Participation – EPA cap & trade program or set emission standards and compliance schedules that ensure annual state budget is achieved
- Allocation of Allowances – EPA's cap & trade program will operate on states established methodology
- Allowance Management – EPA maintains on-line system for emissions reporting and allowance trading for state participants



State Plan Requirements for the CAMR - continued

- Allowance Allocation Flexibility – Includes cost of allowance distribution (free or auction), basis for distribution (heat input or power output), frequency of allocations and allowance set asides (new units, energy efficiency, renewable sources, IGCC development, or small units)
- Emission Monitoring, Recordkeeping and Reporting – Monitor and report using 40 CFR part 75



Example Allocation in Model EPA's Rule

- 5% New Unit Set Aside (higher or lower depending on need)
- 94% Allocated to Existing Units
- 1% Auction
- New units operate 5 years to establish baseline and then become existing units
- Retired units continue to receive allocations
- Auction open to any person and designed to create competitive market



Rule Revision Schedule

- November 2005 - conduct informational meetings
- December 2005 - obtain recommendations from the public addressing options
- Spring 2006 – Seek public hearing authorization from the NRB
- Fall 2006 – Provide EPA with a plan for implementing CAMR



CAMR Legal Challenge

- Petitioners include 15 states (including Wisconsin), 5 environmental group and 4 Tribes
- Delisting of power plants from federal list of significant HAP sources and CAMR provisions including banking and trading
- Court denied petitioners request for CAMR implementation stay (August 2005)



Reconsideration of CAMR

- October 28, 2005, EPA granted petitions to reconsider delisting action and CAMR
- Separate action from legal challenge
- EPA has identified issues that will be reviewed and will accept comment until December 19, 2005



Reconsideration of CAMR - continued

- 5 delisting issues e.g. EPA's legal interpretation; why the public health threat from mercury is eliminated by CAIR
- 7 CAMR issues e.g. state budgets, determination of NSPS, consideration of coal type in setting standards



Public Recommendations on State Rule Revision Options

- Need Input by **December 16, 2005**, particularly on these topics:
- Participation in EPA's model cap & trade program
- State methodology for allocating allowances
- Retention of NR 446 provisions (e.g. a mercury reduction goal, BACT for new mercury sources, emission measurement procedures for other sources)